

Investment Literation Improvement for Preparation of Investments for Young Investors

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ABSTRACT

This study aims to determine the financial literacy and investment of students and their influence on the ability of students to manage finances and the ability of students to manage assets owned to be invested. The data analysis method used in this research is the Structural Equation Model or SEM method. To see the factors that influence the ability to manage finances and the ability to manage assets, Partial Least Square (PLS) analysis is performed. This analysis is used by looking at the number of samples that are a bit of an obstacle if you want to do an analysis using factor analysis or Structural Equation Model (SEM). Thus, analysis using PLS is appropriate. The results of this study are of 5 (five) literacy variables, namely capital market literacy, type of investment instrument literacy, profit level literacy, investment literacy, and financial literacy on the ability to manage finances, only investment literacy has no significant effect, more influence significant ability to manage finances. Then from (5) five literacy variables that do not have a significant influence on the ability of students to manage assets are capital market literacy and investment literacy.

Keywords: financial literacy, investment literacy, ability to manage finances, ability to manage assets for investment

INTRODUCTION

In the current digital era all aspects of life are supported by technology and communication that are automated and facilitate all matters of community life. Wang et al. (2011) stated in his research that the development of communication and information technology especially the role of social media has an impact on social life and the lifestyle of the people, especially the younger generation, namely the current millennial generation. Usually more likely to follow the trend and often appear that shows the daily lifestyle.

The development of increasingly sophisticated technology makes people's behavior very consumptive and forgets to invest in future needs. There are many forms of investment that can be carried out by the community, one of which is investment in the form of shares that are being promoted by the government. As stated by the President of the Republic of Indonesia, Jokowi, quoted from www.liputan6.com, stated that "Why is Wait and See still for Investment?" Previously President Jokowi had also stated that investment was the key to promoting national economic growth. From the statement, it can be concluded that investment is one of the driving factors in increasing the country's economy. According to the records of the Indonesia Stock Exchange (IDX) presented by the BEI President Director quoted from www.kompas.com stating that domestic ownership in the Indonesian stock market has increased quite rapidly. In September 2017 domestic ownership increased to 47.77% and the number of Single Investor ID (SID) in September 2017 was 600,489, which increased by 64,495 investors from the previous year.

Of the many investors who are listed as SID on the Indonesia Stock Exchange, not all of them have good knowledge about the performance of their chosen shares as an investment to save their funds and make a profit. Stock is a unit or bookkeeping value in various financial

instruments that refers to the ownership portion of a company, which is the most popular financial market instrument, where by owning shares the owner will get profits and losses from the shares (linzzy, 2015). The value of shares can be seen from the stock price which is the nominal unit used to trade shares. There are many factors that can influence the fluctuation of stock prices. The results of research conducted by Linzzy (2017) state that the Current Ratio, Return On Assets, Return On Equity, Earning per Share, Debt to Assets Ratio, and Debt to Equity Ratio have a significant effect on Stock Prices.

LITERATURE REVIEW

Financial Literacy (Financial Literacy)

Financial literacy can be associated with consumers who have the responsibility to inform themselves of the products they buy and understand the contracts that he signed, these include knowledge, skills, and attitude.

Financial literacy is the ability to read, analyze, manage and communicate about personal financial conditions related to material welfare. Including the ability to distinguish financial choices, the ability to be able to discuss financial problems, can make future financial planning well and the ability to competently respond to all uncertainties that can occur and influence daily financial decisions, including things that are common in the economy.

Remund (2010) explains that based on the large amount of research and literacy financial literature that has existed since 2000, financial literacy can be divided into five categories, namely:

1. Knowledge of financial concepts
2. The ability to communicate financial concepts
3. The ability to manage personal finance
4. Skills in making the right financial decisions
5. Confidence in effectively planning financial needs for the future

Investment Literacy

Literacy is the ability to read and write. Previously the word literacy was rarely used, but now the word literacy is very familiar even more in the world of education. Capital market literacy which is part of financial literacy is financial knowledge and the ability to apply it or knowledge and abilities (Lusardi and Mitchell, 2007). Financial Literacy is a series of processes or activities to increase the knowledge and beliefs of consumers and the wider community so that they are able to manage finances well (OJK, 2017). From the statement above, it can be understood that investment literacy is the ability of one's knowledge in understanding investment and other forms of investment that can be chosen to improve their standard of living.

Investment Decisions

Investment is an agreement that is currently happening to money or other resources with the aim of gaining profits in the future (Boedi et al., 2016). Investment is storing or placing money so that it can work so that it produces more money (Garman and Fogue, 2010). Investment decisions are actions or policies taken in investing in one or more assets to produce profitable returns in the future (Wulandari and Iramani, 2014). Investment decisions are policies on assets owned to be managed so as to produce profits in the future. The main purpose of investing is to save funds and get profits from the storage of these funds. According to Mudjiyono (2012) the objectives of the investment are as follows:

1. To obtain permanent income in each period, including interest, royalties, dividends, or rent and others.
2. To form a special fund, such as funds for the purpose of expansion, social interests.
3. To control or control another company, through ownership as the equity of the company.
4. To ensure the availability of raw materials and get a market for the products produced.
5. To reduce competition among similar companies.
6. To maintain relationships between companies.

Types of Investment

There are many investment choices that can be made to gain profits and maintain assets owned. According to Jogiyanto (2003), there are 2 types of investments namely direct and indirect investments.

1. Direct investment, Direct investment is a direct purchase of financial assets of a company. Direct investment can be made by buying financial assets that can be traded on the money market. Capital market (derivative market), capital market. Assets that can be traded on the money market in the form of assets that have a small risk of failure, short maturity with a high liquid level. For example, the Treasury-bill (T-bill) and deposit certificate can be negotiated. Assets that can be traded on the capital market are financial assets in the form of fixed income securities and equity stocks. Assets that can be traded on equity markets are preferred shares and ordinary shares. Options and futures contracts are securities that are traded in derivative markets. Called derivative securities because its value is a description of other related securities. Examples of options, for example, are warrants. Warrants are rights granted to the holder to buy shares of the company concerned at a certain price within a specified period of time. A future contract is an agreement to provide assets in the future at a predetermined market price. Generally traded assets are agricultural commodities.
2. Indirect investment, Indirect investment is the purchase of shares from an investment company that has financial asset portfolios from other companies. Indirect investment is done by buying securities from investment companies. An investment company is a company that provides financial services by selling its shares to the public and using funds obtained to be invested into its portfolio.

METHOD

This type of research is explanatory research that identifies relationships between variables and is a descriptive quantitative study. Where in this study there were 5 (five) independent variables (ie capital market literacy, type of investment instrument literacy, profit level literacy, investment literacy, and financial literacy) and 2 (two) dependent variables (financial management ability and ability of students to manage assets to be invested).

The population of this study were accounting students and management of the UMSU faculty of economics and business with a total sample of 100 people. Where the sample is determined by using accidental sampling method that is a sample that intentionally or incidentally fills out a questionnaire that has been distributed using the google form. With several criteria that students who get questionnaires are students who have obtained financial management courses and portfolio analysis.

The data analysis method used in this study is the Structural Equation Model or SEM method. To see the factors that influence the ability to manage finances and the ability to manage assets, Partial Least Square (PLS) analysis is performed. This analysis is used by looking at the number of samples that are a bit of an obstacle if you want to do an analysis using factor analysis or Structural Equation Model (SEM). Thus, analysis using PLS is appropriate.

RESULTS AND DISCUSSION

RESULTS

Evaluation of the Measurement Model

Evaluation of indicator measurement models includes individual examination of items reliability, internal consistency or composite reliability, average variance extracted, and discriminant validity. The first three measurements are grouped in convergent validity.

1. Convergent Validity

Convergent validity consists of three tests, namely reliability items (validity of each indicator), composite reability, and average variance extracted (AVE). Convergent validity is used to measure how many indicators there can explain dimensions. This means that the greater the convergent validity, the greater the ability of these dimensions in applying latent variables.

a. Reliability Item

Item reliability or what we usually call indicator validity. Testing of reability items can be seen from the value of loading factors (standardized loading). The value of this loading factor is the magnitude of the correlation between each indicator and its construct. The value of loading factor above 0.7 can be said to be ideal, meaning that the indicator can be said to be valid as an indicator to measure the construct. However, the standardized loading factor above 0.5 is acceptable. While the standardized value of loading factors below 0.5 can be excluded from Chin (1998). The other income states that if the t value above 1.96 can be said to be ideal, meaning that the indicator can be said to be valid as an indicator to measure the construct. The following is the value of the reability item that can be seen in the standardized loading column:

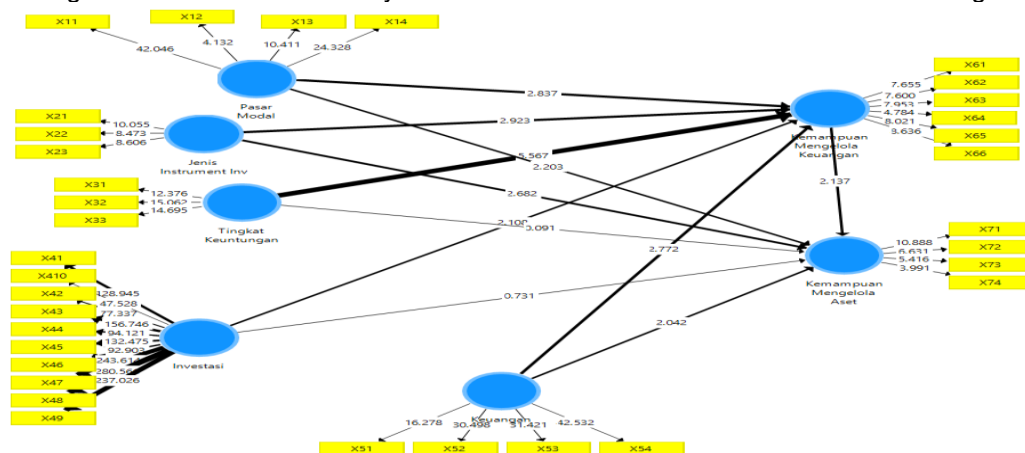


Figure 1. T-Value Inner dan Outer Model

The calculation results can be seen that the loading for the capital market includes X11 of 0.894; X12 of 0.490; X13 of 0.765 and X14 of 0.858. The type of investment instrument in indicator X21 has a factor rating of 0.721; X22 of 0.691 and X23 of 0.681.

In Figure 1, it can be seen that all loading with t value is more than 1.96 so it does not need to be set aside. Thus, each indicator is valid to explain each of the latent variables, namely internal factors and external factors. In addition to showing the validity of items from each indicator, loading factors also indicate the contribution of each indicator to the factors. For capital market variables, the indicator that has the largest loading is X11. While for the type of investment instrument is X21, for the largest level of profit factor loading on X32; for investment X49; while the financial variable is X54; for the financial management ability variable is X66 and the ability to manage assets is X71.

Structural Model Evaluation

There are several stages in evaluating structural models. First is to see the significance of the influence between the extracts. This can be seen from the path coefficient which describes the strength of the relationship between the constructs.

1. Path Coefficient

Seeing the significance of the influence between the constructs can be seen from the path coefficient. Signs in the path coefficient must be in accordance with the hypothesized theory, to assess the significance of the path coefficient can be seen from the t test (critical ratio) obtained from the bootstrapping process (resampling method). The following are the results of t tests on innes and outer models.

The t test performed is the result of the t test of the bootstrap calculation. The results of the t test in the image above will then be compared with the value of the t table.

Table 1. Path of the Result of Direct and Indirect Effect Coefficients

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Investasi -> Kemampuan Mengelola Keuangan	0.158	0.147	0.075	2.108	0.036
Jenis Instrument Inv -> Kemampuan Mengelola Keuangan	0.2	0.2	0.069	2.923	0.004
Keuangan -> Kemampuan Mengelola Keuangan	0.234	0.24	0.084	2.772	0.006
Pasar Modal -> Kemampuan Mengelola Keuangan	0.175	0.188	0.062	2.837	0.005
Tingkat Keuntungan -> Kemampuan Mengelola Keuangan	0.356	0.348	0.064	5.567	0.000
Investasi -> Kemampuan Mengelola Aset	0.058	-0.068	0.079	0.731	0.465
Jenis Instrument Inv -> Kemampuan Mengelola Aset	0.211	0.213	0.079	2.682	0.008
Keuangan -> Kemampuan Mengelola Aset	0.252	0.257	0.124	2.042	0.042
Pasar Modal -> Kemampuan Mengelola Aset	0.208	0.206	0.094	2.203	0.028
Tingkat Keuntungan -> Kemampuan Mengelola Aset	0.007	-0.015	0.079	0.091	0.928
Kemampuan Mengelola Keuangan -> Kemampuan Mengelola Aset	0.326	0.343	0.152	2.137	0.033

Discussion

Capital Market Literacy on the ability to manage finances

From the results of the study it can be seen that the value of the t statistic for the capital market on the ability to manage finances is 2.837 with a p-value of 0.005. When compared with a significant level of 5%, the p-value is smaller so that Ho is rejected. Thus it can be concluded that there is a significant effect of the capital market on the ability to manage finances. The magnitude of the effect of the capital market on the ability to manage finances is 0.175. Positive path coefficient shows the better the capital market, the better the ability to manage finances.

Literacy Type of Instrument Investment in the ability to manage finances

The results showed that the value of the t statistic for the type of investment instrument against the ability to manage finances was 2.923 with a p-value of 0.004. When compared with a significant level of 5%, the p-value is smaller so that Ho is rejected. Thus it can be concluded that there is a significant effect of the type of investment instrument on the ability to manage finances. The magnitude of the influence of the type of investment instrument on the ability to manage finances is 0.2. The positive path coefficient shows that the better the type of investment instrument, the better the ability to manage finances.

Profit Literacy on Financial Management Ability

The results of the above study indicate that the value of t statistic for the level of profit against the ability to manage finances is 5.567 with a p-value of 0,000. When compared with a significant level of 5%, the p-value is smaller so that Ho is rejected. Thus it can be concluded that there is a significant effect of the level of profit on the ability to manage finances. The magnitude of the effect of the level of profit on the ability to manage finances is 0.356. Positive path coefficient shows the better the profit level, the better the ability to manage finances.

Investment Literacy on the ability to manage finances

The results of the above study indicate that the value of t statistic for investment in the ability to manage assets is 0.731 with p-value of 0.465. When compared with a significant level of 5%, the p-value is greater so that Ho is accepted. Thus it can be concluded that there is no significant effect of investment in the ability to manage assets. The magnitude of the effect of investment on the ability to manage assets is 0.058. The positive path coefficient shows that the better the investment, the better the ability to manage assets.

Financial Literacy on Ability to Manage Finance

The results of the above research can be seen that the value of the t statistic for financial literacy on the ability to manage finances is 2.772 with a p-value of 0.006. When compared with a significant level of 5%, the p-value is smaller so that Ho is rejected. Thus it can be concluded that there is a significant effect of finance on the ability to manage finances. The amount of financial influence on the ability to manage finances is 0.234. Positive path coefficients show that the better the finance, the better the ability to manage finances.

Capital Market Literacy on the Ability of Students to Manage Assets for Investment

From the results above, it can be seen that the t statistic for capital market literacy on the ability to manage assets for investment is 2.203 with p-value 0.028. When compared with a significant level of 5%, the p-value is smaller so that Ho is rejected. Thus it can be concluded that there is no significant effect of the capital market on the ability to manage assets. The magnitude of the effect of the capital market on the ability to manage assets is 0.208. Positive path coefficient shows the better the capital market, the better the ability to manage assets.

Literacy Type of Investment Instrument to the Ability of Students to Manage Assets for Investment

From the results above, it can be seen that the value of the t statistic for the type of investment instrument against the ability to manage assets is 2.682 with a p-value of 0.008. When compared with a significant level of 5%, the p-value is greater so that Ho is accepted. Thus it can be concluded that there is a significant effect of the type of investment instrument on the ability to manage assets. The magnitude of the effect of the type of investment instrument on the ability to manage assets is 0.211. The positive path coefficient shows that the better the type of investment instrument, the better the ability to manage assets.

Level of Literacy of Profit to Ability to Abolish Assets for Investment

The results of the above study indicate that the value of the t statistic for profit level literacy on the ability to manage assets is 0.091 with p-value 0.918. When compared with a significant level of 5%, the p-value is greater so that Ho is accepted. Thus it can be concluded that there is a significant effect of the level of profit on the ability to manage assets. The magnitude of the effect of the level of profit on the ability to manage assets is 0.007. The positive value path coefficient indicates the better the profit level, the better the ability to manage assets.

Investment Literacy on the Ability to Manage Assets for Investment

The results of the research at ASAS show that the value of the t statistic for investment literacy on the ability to manage assets is 0.731 with a p-value of 0.465. When compared with a

significant level of 5%, the p-value is greater so that H_0 is accepted. Thus it can be concluded that there is no significant effect of investment in the ability to manage assets. The magnitude of the effect of investment on the ability to manage assets is 0.058. The positive path coefficient shows that the better the investment, the better the ability to manage assets.

Financial Literacy on the Ability to Manage Assets for Investment

The results showed that the value of the t statistic for financial literacy on the ability to manage assets for investment was 2.042 with a p-value of 0.042. When compared with a significant level of 5%, the p-value is smaller so that H_0 is rejected. Thus it can be concluded that there is a significant effect of finance on the ability to manage assets. The amount of financial influence on the ability to manage assets is 0.252. The positive path coefficient shows that the better the financial, the better the ability to manage assets.

Ability to Manage Finance with the Ability to Manage Assets

The results showed that the value of t statistic for the ability to manage finances to the ability to manage for asset investment was 2.137 with a p-value of 0.033. When compared with a significant level of 5%, the p-value is smaller so that H_0 is rejected. Thus it can be concluded that there is a significant effect of the ability to manage finances to the ability to manage assets. The magnitude of the influence of the ability to manage finances to the ability to manage assets is 0.326. The positive path coefficient shows the better the ability to manage finances, the better the ability to manage assets.

From the discussion above, it can be seen that all variables influence the ability to manage finances and the ability to manage finances for investment. This research is in line with the theory and several similar studies that have been done before. According to Faidah (2019) states that financial literacy has a significant positive effect on student investment interest. Pajar (2017) results of his research state that there is a significant effect between the variable of investment knowledge and the variable interest in investing in the Capital Market. According to Putri and Henny (2017) states that Financial Literacy has a significant effect on the behavior of individual investment decisions. This means that the higher the level of financial literacy, the better the behavior of individual investment decisions. Wildayati (2018) states that financial literacy has a significant effect on students' Saving behavior.

Based on the results of previous research and research it can be concluded that capital market literacy, type of investment instrument literacy, profit level literacy, investment literacy and financial literacy influence the ability to manage finances and the ability of students to manage assets for investment.

CONCLUSION

The conclusions that can be drawn from this study are as follows:

1. There is a significant influence on capital market literacy on financial capability.
2. There is a significant influence on the type of investment instrument literacy on the ability to manage finances.
3. There is a significant influence on profit-level literacy on the ability to manage finances.
4. There is no significant effect of investment literacy on the ability to manage finances.
5. There is a significant effect of financial literacy on the ability to manage finances.
6. There is a insignificant influence of capital market literacy on the ability of students to manage assets to invest
7. There is a significant influence on the type of literacy of investment instruments on the ability of students to manage finances to be invested
8. There is a significant influence on profit level literacy on the ability of students to manage finances to be invested.
9. There is no significant effect of investment literacy on the ability of students to manage finances to be invested.

10. There is a significant influence of financial literacy on the ability of students to manage finances to be invested.
11. There is a significant influence on the ability to manage finances towards the ability of students to manage finances to be invested.

COVER

Suggestions from this study are as follows:

1. For students who are trying to have finance and investment as well as some other literacy benefits about finance and investment.
2. For academics (lecturers) to be able to provide good literacy and motivation related to finance and investment.
3. For the university, invite experts to provide information related to investment policies in Indonesia and ways to become young investors.
4. For the next researcher, it is expected to study research objects and variables, in order to find a good method or strategy to increase investment among young investors.

ACKNOWLEDGEMENTS

We would like to say thank you to the Institute for Research and Service to the Community (LP2M) UMSU, Chancellor of the North Sumatra Muhammadiyah University. and all student associates involved as respondents in this study

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